Japan has not been a particularly friendly market for Canadian manufactures, including in the automotive sector.[18]

Ironically, Canadians also face considerable frustration when seeking Japanese commitments to remove restrictions that impede access for several more traditional Canadian exports where our competitiveness is not even remotely in question. Two examples should suffice, one a semi-manufacture, the second a basic foodstuff. Spruce, pine and fir lumber (SPF - largely supplied by Canada) faces an 8% import duty (which is unbound in the GATT) when entering Japan, compared to a zero tariff for another dressed lumber item for which the U.S. is the principal supplier, and mostly zero tariffs for tropical lumber. Although Canada also has supplied an important proportion of the second lumber item, the tariff differential is one reason why imports of SPF lumber (where we are the principal supplier) are considerably lower. Canadian efforts to redress this situation have gotten no-where beyond the possibility of some modest adjustment in the multilateral trade negotiations.

The second example is a case of apparent success covering a much larger problem. Japan applies a zero import duty on wheat. The U.S., Canada and Australia are major suppliers. But this tariff is unbound in the GATT, thus permitting the Japanese Food Agency to mark up significantly the price of imported wheat without violating Japan's GATT obligations. Mark-ups can range as high as 130%, thus making wheat-based products significantly more expensive than would otherwise be the case which in turn works to support domestic rice and grains producers. The binding of this tariff at zero and the consequent elimination of mark-ups would significantly lower the cost of and expand the demand for wheat-based products to the considerable benefit of internationally competitive Canadian producers. The Japanese have given no indication that they are likely to do so.

The Canada-Japan relationship is undeniably important and permanent. Bilateralism and multilateralism have both helped in developing this relationship and both will remain important. Yet both have also failed to capture significant potential benefits for Canada.

---

[18] Japanese import data from GATT, **International Trade 90-91**, Vol.II, Table A17, pp.108-9; Canadian export data from International Trade Division, Statistics Canada (May 1992). On the other hand, Canadian exports of end products do not generally appear to produce as many high quality jobs compared to exports of equal value of processed resource-based products. The former contain a higher proportion of imported inputs. This helps to explain why $1 billion in Canadian exports to Japan produce 50% more jobs in Canada than $1 billion in exports to the U.S. where over half of Canada's exports comprise end products. (See Martin, "Exports and Job Creation".)